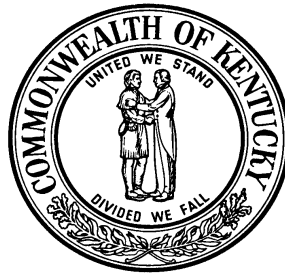


**REPORT OF THE AUDIT OF THE
FAYETTE COUNTY
SHERIFF**

**For The Year Ended
December 31, 2007**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE FAYETTE COUNTY SHERIFF

**For The Year Ended
December 31, 2007**

The Auditor of Public Accounts has completed the Fayette County Sheriff's audit for the year ended December 31, 2007. Based upon the audit work performed, the financial statements present fairly, in all material respects, the revenues and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Fayette County Sheriff had total revenues of \$7,506,455, which was a \$758,750 increase over the prior year. Except for reimbursed expenses, the Sheriff paid 25% of revenues to the Lexington-Fayette Urban County Government in the amount of \$1,021,606. This was an increase of \$98,187 over the prior year. In addition, disbursements decreased by \$1,517,028.

Debt Obligations:

The Fayette County Sheriff's office is committed to two lease agreements for hardware and software. The agreements totaled \$15,705 as of December 31, 2007. Future collections of \$15,705 are needed over the next year to pay all debt principal and interest.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jim Newberry, Mayor, Lexington-Fayette Urban County Government
Honorable Kathy H. Witt, Fayette County Sheriff
Members of the Lexington-Fayette Urban County Government Council

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the Sheriff of Fayette County, Kentucky, and the statement of revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2007. These financial statements are the responsibility of the Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2007, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2008 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Jim Newberry, Mayor, Lexington-Fayette Urban County Government
Honorable Kathy H. Witt, Fayette County Sheriff
Members of the Lexington-Fayette Urban County Government Council

This report is intended solely for the information and use of the Sheriff, the Lexington-Fayette Urban County Government Council, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

September 12, 2008

FAYETTE COUNTY
KATHY H. WITT, SHERIFF
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2007

Revenues

Federal Grants		\$	108,448
State Grants			156,469
State Fees for Services			525,188
State - HB 452 Funds			354,331
Circuit Court Clerk			18,254
County Clerk			8,783
Commission on Taxes			4,681,024
Fees Collected for Services:			
Auto Inspections	\$	111,136	
Serving Papers		285,412	
Carrying Concealed Deadly Weapon Permits		21,175	
Sheriff's Advertising Fees		<u>10,915</u>	428,638
Other Revenues:			
Tax Commission Add on Fees		813,926	
NSF Fees		900	
CCDW Photo		3,905	
Bond Performance		11,744	
Interest Earned		276,127	
Reimbursements-			
University of Kentucky		61,472	
Miscellaneous		<u>57,246</u>	<u>1,225,320</u>
Total Revenues			7,506,455

The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
KATHY H. WITT, SHERIFF
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
For The Year Ended December 31, 2007
(Continued)

Expenditures

Other Expenditures:

Jury Meals		\$	3,347
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Net Revenues			7,503,108
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Payments to State Treasurer:

75% Operating Fund	\$	6,481,502	
25% County Fund		1,021,606	7,503,108

Balance Due at Completion of Audit		\$	0
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The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
KATHY H. WITT, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2007

	75% Operating Fund	25% County Fund	Totals
	<hr/>	<hr/>	<hr/>
Fund Balance - January 1, 2007	\$	\$	\$
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	6,481,502		6,481,502
Fees Paid to State - County Funds (25%)		1,021,606	1,021,606
	<hr/>	<hr/>	<hr/>
Total Funds Available	6,481,502	1,021,606	7,503,108
	<hr/>	<hr/>	<hr/>
<u>Expenditures</u>			
Payments To Lexington-Fayette Urban County Government		1,021,606	1,021,606
Personnel Services-			
Sheriff's Salary	96,517		96,517
Sheriff's Training Incentive	3,387		3,387
Deputies' Salaries	2,958,219		2,958,219
Overtime Gross	123,139		123,139
Other	40,418		40,418
Employee Benefits-			
Employer's Share Social Security	226,341		226,341
Employer's Share Retirement	736,840		736,840
Employer's Paid Health Insurance	341,834		341,834
Other Payroll Disbursements-			
Workers Compensation	32,702		32,702
Life Insurance	8,226		8,226
Unemployment Insurance	2,332		2,332
Dental Insurance	32,390		32,390
Auto Expense:			
Gasoline	102,230		102,230
Vehicle Equipment	49,245		49,245
Vehicle Maintenance and Repair	49,407		49,407
Contracted Services-			
Consulting	32,630		32,630

The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
KATHY H. WITT, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
For The Year Ended December 31, 2007
(Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Materials and Supplies-			
Office Supplies	\$ 40,256	\$	\$ 40,256
Other Charges-			
Computer	10,468		10,468
Property and Casualty Insurance	228,648		228,648
Equipment Maintenance and Repair	73,993		73,993
Dues and Subscriptions	3,974		3,974
Postage	46,507		46,507
Radio Equipment	8,327		8,327
Tower Rental	9,000		9,000
Training	2,242		2,242
Recruiting	20,620		20,620
Telephone and Pager	37,352		37,352
Uniforms	28,287		28,287
Rent	13,279		13,279
Utilities	4,027		4,027
Parking	33,370		33,370
Travel	14,920		14,920
VAWA Service Contract	4,630		4,630
Victims of Crime Act	10,463		10,463
Waste management	600		600
Body Armor	2,040		2,040
COBRA Insurance	1,400		1,400
Employees Assistance Program	875		875
Garage Maintenance	808		808
Imprest Cash	8,211		8,211
Internet	1,929		1,929

The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
KATHY H. WITT, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
For The Year Ended December 31, 2007
(Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Capital Outlay-			
Reference Guide	\$ 4,001	\$	\$ 4,001
Radio Purchase	572		572
Copier	1,693		1,693
Record Management System	48,108		48,108
Fleet Division Equipment	14,634		14,634
Furniture	8,791		8,791
Sex Offender Management	7,000		7,000
Vehicle Purchase	149,717		149,717
Total Expenditures	5,676,599	1,021,606	6,698,205
Fund Balance - December 31, 2007	\$ 804,903	\$ 0	\$ 804,903

The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the Sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31:

- Interest receivable
- Collection on accounts due from others for 2007 services
- Reimbursements for 2007 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2007
- Payroll expenditures incurred but not paid

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent for the first six months and 16.17 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 28.21 percent for the first six months and 33.87 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Fayette County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Fayette County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
(Continued)

Note 4. Leases

- A. The office of the Sheriff was committed to a lease agreement with Custom Solutions Inc. for the leasing of hardware. The agreement required a monthly payment of \$600 for 36 months to be completed on October 1, 2008. The agreement was amended for additional hardware, in October 2005 for an additional \$150 a month, in September 2007 for an additional \$195 a month, and in March 2008 for an additional \$100 a month. The total remaining balance of the agreement was \$9,105 as of December 31, 2007.
- B. The office of the Sheriff was committed to a lease agreement with Custom Solutions Inc for the leasing of software. The agreement required a monthly payment of \$700 for 12 months to be completed on October 1, 2008. The agreement was amended in March 2008 to add additional software at a cost of an extra \$50 a month. The total remaining balance of the agreement was \$6,600 as of December 31, 2007.

Note 5. Rental Agreements

The Sheriff is committed to the following rental agreements as of December 31, 2007:

- A. A verbal agreement with The Gibson Company for real property at 340 and 346 South Broadway Park, Lexington, KY. The agreement required a monthly payment of \$935.
- B. The Sheriff also leases a radio tower from Lexington Call Mobile, Inc. This agreement requires a yearly payment of \$9,000.

Note 6. Return Of Fugitive Account

The Sheriff maintains a separate bank account for expenses incurred during the return of fugitives. The Sheriff's office incurs expenses for these trips and requests reimbursement from the state. The reimbursements are then deposited into the bank account at which time the expenses are paid. The beginning balance was \$0. There were receipts of \$87,720 and disbursements of \$87,720 leaving a balance of \$0, as of December 31, 2007.

Note 7. Asset Forfeiture Account

The Sheriff maintains a separate bank account for monies that are seized and forfeited to the Sheriff's office by court order. During 2007 the Sheriff received \$729 in forfeiture monies and \$6 in interest. No funds were expended. The balance of this account as of December 31, 2007, was \$735.

FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
(Continued)

Note 8. Federal Grants

A. Domestic Violence & Sexual Assault Community Outreach Program Grant

The Fayette County Sheriff's office was awarded a Domestic Violence & Sexual Assault Community Outreach Program Grant for the period October 1, 2006 through September 30, 2007. During 2007, grant funds in the amount of \$28,766 were received.

B. Taking Action For A Safer Tomorrow Grant

The Fayette County Sheriff's office was awarded a Taking Action For A Safer Tomorrow Grant for the period October 1, 2007 through September 30, 2008. During 2007, grant funds in the amount of \$6,026 were received.

C. Zero Tolerance: A Comprehensive Approach Grant

The Fayette County Sheriff's office was awarded a Zero Tolerance: A Comprehensive Approach Grant for the period January 1, 2007 through December 31, 2007. During 2007, grant funds in the amount of \$73,656 were received.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jim Newberry, Mayor, Lexington-Fayette Urban County Government
Honorable Kathy H. Witt, Fayette County Sheriff
Members of the Lexington-Fayette Urban County Government Council

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Fayette County Sheriff for the year ended December 31, 2007, and have issued our report thereon dated September 12, 2008. The Sheriff's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fayette County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Fayette County Sheriff's financial statements for the year ended December 31, 2007, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Lexington-Fayette Urban County Government Council, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

September 12, 2008

